

**REPORT OF THE AUDIT OF THE
ROBERTSON COUNTY
CLERK**

**For The Year Ended
December 31, 2008**



**CRIT LUALLEN
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE ROBERTSON COUNTY CLERK

**For The Year Ended
December 31, 2008**

The Auditor of Public Accounts has completed the Robertson County Clerk's audit for the year ended December 31, 2008. Based upon the audit work performed, the financial statement presents fairly in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting.

Financial Condition:

Excess fees increased by \$63,341 from the prior year, resulting in excess fees of \$110,797 as of December 31, 2008. Revenues increased by \$94,637 from the prior year and expenditures increased by \$31,296.

Debt Obligations:

Capital lease principal totaled \$11,772 as of December 31, 2008. Future principal and interest payments of \$11,772 are needed to meet these obligations.

Report Comments:

- The County Clerk's Office Lacks Adequate Segregation Of Duties
- The County Clerk Should Require The Depository Institution To Pledge Or Provide Sufficient Collateral And Enter Into A Written Agreement To Protect Deposits

Deposits:

The County Clerk's deposits as of June 16, 2008, were exposed to custodial credit risk as follows:

- Uncollateralized and Uninsured \$34,476

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Billy R. Allison, Robertson County Judge/Executive
The Honorable Stephanie Bogucki, Robertson County Clerk
Members of the Robertson County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the County Clerk of Robertson County, Kentucky, for the year ended December 31, 2008. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the County Clerk for the year ended December 31, 2008, in conformity with the regulatory basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated June 12, 2009 on our consideration of the Robertson County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



The Honorable Billy R. Allison, Robertson County Judge/Executive
The Honorable Stephanie Bogucki, Robertson County Clerk
Members of the Robertson County Fiscal Court

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discusses the following report comments:

- The County Clerk's Office Lacks Adequate Segregation Of Duties
- The County Clerk Should Require The Depository Institution To Pledge Or Provide Sufficient Collateral And Enter Into A Written Agreement To Protect Deposits

This report is intended solely for the information and use of the County Clerk and Fiscal Court of Robertson County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a stylized flourish at the end.

Crit Luallen
Auditor of Public Accounts

June 12, 2009

ROBERTSON COUNTY
STEPHANIE BOGUCKI, COUNTY CLERK
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2008

Revenues

State HB537 Special Revenue \$ 60,610

State Fees for Services 965

Fiscal Court 70,571

Licenses and Taxes:

Motor Vehicle-

Licenses and Transfers \$ 77,290

Usage Tax 69,352

Tangible Personal Property Tax 189,588

Lien Fees 1,832

Other-

Marriage Licenses 497

Deed Transfer Tax 3,433

Delinquent Tax 56,762 398,754

Fees Collected for Services:

Recordings-

Deeds, Easements, and Contracts 2,405

Real Estate Mortgages 4,466

Chattel Mortgages and Financing Statements 5,349

Powers of Attorney 233

All Other Recordings 4,005

Charges for Other Services-

Candidate Filing Fees 330 16,788

Other:

Miscellaneous 783

Interest Earned 252

Total Revenues 548,723

The accompanying notes are an integral part of this financial statement.

ROBERTSON COUNTY
STEPHANIE BOGUCKI, COUNTY CLERK
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
For The Year Ended December 31, 2008
(Continued)

Expenditures

Payments to State:

Motor Vehicle-

Licenses and Transfers	\$	53,596	
Usage Tax		65,426	
Tangible Personal Property Tax		77,430	

Licenses, Taxes, and Fees-

Delinquent Tax		5,736	
Legal Process Tax		1,986	
Candidate Filing Fees		75	
Affordable Housing Trust		1,877	
Miscellaneous		30	
		<u>30</u>	\$ 206,156

Payments to Fiscal Court:

Tangible Personal Property Tax		15,904	
Delinquent Tax		7,210	
Deed Transfer Tax		3,261	
Miscellaneous		410	
		<u>410</u>	26,785

Payments to Other Districts:

Tangible Personal Property Tax		88,681	
Delinquent Tax		27,624	
		<u>27,624</u>	116,305

Payments to Sheriff

1,794

Payments to County Attorney

8,204

Operating Expenditures:

Other Charges-

Conventions and Travel		900	
Dues		250	
Postage		30	
Reimbursement		3,020	
		<u>3,020</u>	4,200

The accompanying notes are an integral part of this financial statement.

ROBERTSON COUNTY
STEPHANIE BOGUCKI, COUNTY CLERK
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
For The Year Ended December 31, 2008
(Continued)

Expenditures (Continued)

Debt Service:

Lease Purchases	\$ 3,912	
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Total Expenditures		\$ 367,356
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Net Revenues		181,367
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Less: Statutory Maximum		63,446
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Excess Fees		117,921
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Less: Expense Allowance	3,600	
Training Incentive Benefit	3,524	7,124

Excess Fees Due County for 2008		110,797
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Payments to Fiscal Court for 2008 - Monthly		110,797
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Balance Due Fiscal Court		\$ 0
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The accompanying notes are an integral part of this financial statement.

ROBERTSON COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2008

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the County Clerk as determined by the audit. KRS 64.152 requires the County Clerk to settle excess fees with the fiscal court by March 15 each year.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting, revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive), at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2008 services
- Reimbursements for 2008 activities
- Payments due other governmental entities for December tax and fee collections and payroll
- Payments due vendors for goods or services provided in 2008

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

ROBERTSON COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2008
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Fee Pooling

The Robertson County Clerk is required by the Fiscal Court to participate in a fee pooling system. Fee officials who are required to participate in fee pooling deposit all funds collected into their official operating account. The fee official is responsible for paying all amounts due to the taxing districts. Residual funds are then paid to the County Treasurer on a monthly basis. Invoices are submitted to the County Treasurer to document operating expenses. The County Treasurer pays all operating expenses for the fee official.

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer, defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 16.17 percent for the first six months and 13.50 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The Robertson County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were not met, as the Robertson County Clerk did not have a written agreement with the bank.

ROBERTSON COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2008
(Continued)

Note 3. Deposits (Continued)

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the County Clerk's deposits may not be returned. The Robertson County Clerk does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). On June 16, 2008, the County Clerk's bank balance was exposed to custodial credit risk as follows:

- Uncollateralized and Uninsured \$34,476

Note 4. Lease

The office of the Robertson County Clerk was committed to two lease agreements with Software Management, Inc. for computer equipment and software. The lease agreements together require an annual payment of \$3,924 for five years to be completed on November 28, 2012. The total balance of the agreements was \$11,772 as of December 31, 2008.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Billy R. Allison, Robertson County Judge/Executive
The Honorable Stephanie Bogucki, Robertson County Clerk
Members of the Robertson County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the Robertson County Clerk for the year ended December 31, 2008, and have issued our report thereon dated June 12, 2009. The County Clerk's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Robertson County Clerk's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the County Clerk's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County Clerk's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the regulatory basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statement that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiency described in the accompanying comments and recommendations to be a significant deficiency in internal control over financial reporting.

- The County Clerk's Office Lacks Adequate Segregation Of Duties



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiency described above to be a material weakness.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Robertson County Clerk's financial statement for the year ended December 31, 2008, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described in the accompanying comments and recommendations.

- The County Clerk Should Require The Depository Institution To Pledge Or Provide Sufficient Collateral And Enter Into A Written Agreement To Protect Deposits

The Robertson County Clerk's responses to the findings identified in our audit are included in the accompanying comments and recommendations. We did not audit the County Clerk's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Robertson County Fiscal Court, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Crit Luallen
Auditor of Public Accounts

June 12, 2009

COMMENTS AND RECOMMENDATIONS

ROBERTSON COUNTY
STEPHANIE BOGUCKI, COUNTY CLERK
COMMENTS AND RECOMMENDATIONS

For The Year Ended December 31, 2008

INTERNAL CONTROL - SIGNIFICANT DEFICIENCY AND MATERIAL WEAKNESS:

The County Clerk's Office Lacks Adequate Segregation Of Duties

The County Clerk's office lacks adequate segregation of duties due to a limited staff size. The County Clerk and a full-time employee collect receipts. The employee posts transactions and makes the deposits and the County Clerk reviews and prepares the bank reconciliations. There are days when only one employee is working, therefore, that employee would collect receipts, deposit funds, and post transactions. This increases the risk that a misappropriation of assets and/or inaccurate financial reporting may occur and go undetected. We recommend the County Clerk segregate the duties of her office or implement compensating controls. Examples of compensating controls are:

- Cash recounted and deposited by the official. The official documents the recounting of cash by initialing deposit ticket.
- Agree daily AVIS computer totals to the receipts ledger for usage tax, license fees, and tangible personal property taxes. This should be documented on report or receipts ledger.
- Reconciliation of other monthly reports to source documents to receipts and disbursement ledgers. This should be documented on monthly reports or receipts and disbursements ledger.

County Clerk's Response: Due to budget constraints this is always a problem.

STATE LAWS AND REGULATIONS:

The County Clerk Should Require The Depository Institution To Pledge Or Provide Sufficient Collateral And Enter Into A Written Agreement To Protect Deposits

On June 16, 2008, \$34,476 of the County Clerk's deposits of public funds were uninsured and unsecured. According to KRS 66.480(1)(d) and KRS 41.240(4), financial institutions maintaining deposits of public funds are required to pledge securities or provide surety bonds as collateral to secure these deposits if the amounts on deposit exceed the \$100,000 amount of insurance coverage provided by the Federal Deposit Insurance Corporation (FDIC). The County Clerk should require the depository institution to pledge or provide collateral in an amount sufficient to secure deposits of public funds at all times. We also recommend the County Clerk enter into a written agreement with the depository institution to secure the County Clerk's interest in the collateral pledged or provided by the depository institution. According to federal law, 12 U.S.C.A. § 1823(e), this agreement, in order to be recognized as valid by the FDIC, should be (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

County Clerk's Response: This shouldn't be a problem in '09.

